BRANDWEEK

Coca-Cola to CAA: 'Always' Ain't Forever
January 16, 2006

NEW YORK -- After nearly 15 years, Coca-Cola and Creative Artists Agency are on the outs.

The beverage giant originally hired the powerful talent agency to gain a bigger profile in Hollywood and gave it free rein to produce much of flagship Coke's advertising during the 1990's, a move that sent shockwaves across Madison Avenue. Through the years, CAA helped secure plum spots to showcase Coke's brands in film and TV shows, most notably, Fox's hit American Idol, and got assorted stars from the cast of Friends to Penelope Cruz to hawk soda. Numerous other brands followed in Coke's footsteps, building alliances with product placement and Los Angeles talent shops, creating the surging market for branded entertainment.

In recent years, however, the Coke/CAA relationship, like so many star-studded unions, began to fade, with the high costs of CAA's retainer—at one time worth nearly $400,000 a month—rankling beverage execs at headquarters in Atlanta. Coke, which has been re-evaluating several vendor relationships in a bid to cut costs, is bringing more of its entertainment capabilities in-house as it continues to rebuild its once-vaunted marketing operations.

Coke has "taken significant steps to right-size" its relationship with CAA, according to an internal Coke memo obtained by Brandweek. The agency's role will continue "in a limited capacity" with the Coca-Cola North America entertainment department, per the note. It was written by Beatriz Perez, vp-media, sports and entertainment marketing and sent via her BlackBerry to 20 key execs on Dec. 31. That night marked the bow of Coke's new "Welcome to the Coke side of life" campaign.

Coke was said to be paying the Beverly Hills, Calif.-based shop an estimated $5 million a year until two years ago, per sources, but that number had recently dwindled to roughly $3 million annually.

CAA declined to comment last week and referred all calls to Coke.

Coke rep Susan McDermott confirmed the memo, but stressed CAA remained the company's entertainment marketing agency of record. "As a marketing group, we are rebuilding our focus on entertainment," she said. "We're looking at our [entertainment] support resources and how we can best structure all of those things internally and externally to maximize our commitment to entertainment."

While at one time CAA was involved in nearly every aspect of Coke's entertainment marketing activity, more recently industry talk focused on the shop as being unable to deliver significant results, said entertainment industry observers who would only speak anonymously, given the players involved.

"Their relationship is not producing for them," said a source familiar with the move. "It seems that 'Madison and Vine' is not working as well as claimed. They more or less consulted to Coke, gave irrelevant advice, and were rarely listened to."

Said another exec, "Their role has been reduced. People are getting wise to the fact that they're getting paid a lot of money to set strategies and come up with a lot of ideas that aren't executed."

CAA, the No. 1 talent agency, reps everyone from Nicole Kidman to Tom Hanks to Sting. It helped earn Coke first-look opportunities for script integration and promotional tie-ins with numerous film, TV and music projects, and most recently helped broker Coke tie-ins with the first two Harry Potter films. In 2000, CAA created a marketing consultancy with Coke as its first client under team leader Seth Matlins.

But other projects were less fruitful.

By many accounts the "Sprite Liquid Mix Tour," a concert series headlined by Jay-Z and 311, which CAA not only created but also executed in 2002, was a disappointment.

The decline of CAA's role comes as Coke is looking to bolster its in-house entertainment team, which last April saw group entertainment director Geoff Cottrill leave for Starbucks on the heels of his predecessor Darryl Cobbin's exit to Boost

Mobile.

“John Hackett [svp-marketing and de facto CMO at CCNA] put forth the challenge for us to rebuild our entertainment department and better leverage our external resources as we/our brand look to reclaim our rightful position in pop culture," wrote Perez in the memo.

To lead the charge, Greg Downey will join Coke on Feb. 1 from NBC Universal. Downey, a vp in the branded content space who worked on various film and TV initiatives and was a former marketer at the U.S. Olympic Committee, will fill Cottrill’s shoes. Another new addition: Kelly Flatow, who left a staff post at CAA on Dec. 31 to work as a Coke contractor based in New York.

McDermott confirmed Downey’s arrival along with Flatow. Another as-yet to-be-hired staffer will report to Downey.

Just as the Coca-Cola/CAA union set trends, its distancing may foreshadow similar moves by corporate clients in Hollywood. “I don’t think these agencies ever really lived up to what they promised," said a film company exec. “Coke is only the first one. I think we’ll see these agencies that are over-promising and not delivering losing more clients.”

Several sources said that in some cases, the CAA relationship actually makes it harder for Coke to secure deals with desired talent. For example, discussions with Ryan Seacrest for off-channel Idol activities became downright awkward since Seacrest is repped by rival William Morris Agency.

“On a day-to-day basis they would try to integrate themselves into the brand teams, always offering up ideas out of left field with little connection to the actual business,” said an exec familiar with the relationship.

On the advertising front, Coke gradually shifted duties for its flagship brand away from CAA and back to Madison Avenue (see related story below), briefly rewarding McCann Erickson with more business in 1998 (it now only handles the brand in overseas markets) and expanding Coke duties among a variety of shops.

Downey and Flatow will handle upcoming projects, namely the new season of Idol, a promotion with the Academy Awards telecast, the first-ever Powerade Sports Awards and a gaming aspect of the new MyCokeRewards.com loyalty program, crossing all Coke trademarks, due later this quarter.

Powerade agency Wieden + Kennedy, Portland, Ore., has been pushing the idea for a music, sports, fashion and lifestyle awards show for more than a year. The branded entertainment play, which will see Powerade fully integrated into the show, was presented to MTV in recent weeks and won a positive reception, per another source.

Tab Energy, Coke’s attempt at reviving that diet franchise, will star during the Oscar fest. Two TV spots, created by Kirshenbaum Bond & Partners, New York, will debut during the telecast. “The energy drink category is exploding and no one is talking to women," said a source. Tab execs were said to be in talks to use Gwen Stefani’s music in ads, but no deal is likely.

Relatedly, the long-awaited jingle written by the rock band the White Stripes [Brandweek, April 4] has been shelved indefinitely. That effort was part of a pool of “iconic" advertising from Berlin Cameron/Red Cell, N.Y. and other shops, which was rejected by Coke’s global marketing team. Coke hasn’t ruled out using the jingle in its current campaign.

W+K was named lead agency on the $200 million Coke account in October 2005. Rounding out the reconstructed entertainment division, Joel Katz, an Atlanta-based firm, will still handle music, and Premiere Entertainment will continue handling product placement.

—Kenneth Hein, with Becky Ebenkamp

A History of CAA and Coke

Top talent agency CAA was first hired by former Coca-Cola Co. senior vp Peter Sealey (now back at the company as a consultant) in September 1991. While CAA advised the company on strategic marketing issues, it had its eye on a bigger prize: an expanded role within the advertising industry.

Its big break came when Sealey gave then-CAA chief Michael Ovitz and the agency the nod to create the “Always Coca-Cola" campaign in 1993. The switch jolted Coke’s traditional agencies, especially McCann Erickson, which had handled the account since the 1950s.

“Always,” which was arguably the beginning of Coke’s run of splashy but often critically savaged advertising, replaced “Can’t beat the real thing." CAA lost its biggest backer when Sealey abruptly resigned in 1993, opening the door for the triumphant return of chief marketing officer Sergio Zyman, who went into exile after the New Coke debacle of 1985. “I did not invent the ‘Always’ campaign; I inherited it. It was not born as my baby, but I was happy to sign the adoption papers," Zyman said in February 1994.

Coke’s curvy ‘contour' bottle became the new star of its ads, arguably one of Coke and CAA’s last big ideas. Name brand directors—Rob Reiner and Jake Scott among them—and special effects artists were hired to celebrate the bottle’s shape, color and contents, generating big gains in brand preference scores. Through the mid-90s, CAA was producing up to 30 spots annually in the “Always Coca-Cola" campaign. Zyman left in 1998. One vestige of the ads CAA helmed remains: Coke’s animated polar bear ads, which are brought out of the deep freeze every holiday season.

CAA took a back seat for a while as Coke reconnected with its traditional agency partners. But with the 2000 appointment of Doug Daft as CEO and the arrival a year later of Steve Heyer came a mandate to dial up the brand as a more potent player in pop culture and so the relationship with CAA was reactivated.

Unfortunately for CAA, “they were loved by [former president] Steve Heyer which is why they were not liked by everyone else,” said one source. Heyer, an outsider, was wildly unpopular at Coke, culminating in him being passed over for the CEO position in favor of Neville Isdell in 2004. Heyer left shortly thereafter for the top spot at Starwood Hotels & Resorts (which has since hired CAA for representation).

While CAA once helped open doors for Coke, it became more apparent that its usefulness grew limited.

“There isn’t a studio, label, producer, artist, or agent in the world who wouldn’t take Coke’s call," said another industry source. “So, CAA was in Hollywood trying to represent Coke without a full understanding of what their brands were really trying to accomplish.”

—Kenneth Hein, with Karen Benezra